

Message Text

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SUBJECT: THE EC SUMMIT: STATE OF PLAY

1. SUMMARY. WITH THE PARIS SUMMIT OF THE NINE A LITTLE MORE THAN TWO WEEKS AWAY, THE EC FOREIGN MINISTERS HAVE TWO MORE OPPORTUNITIES TO ADVANCE THE PREPARATIONS--AT MEETINGS IN BRUSSELS ON NOVEMBER 25 AND ON DECEMBER 2-3. THESE MEETINGS WILL CONCENTRATE ON SO-CALLED SUBSTANTIVE ISSUES (ENERGY, INFLATION, REGIONAL POLICY, AND UNEMPLOYMENT) AND TO SOME EXTENT ON PROPOSALS TO IMPROVE THE INSTITUTIONS OF THE COMMUNITY. ENERGY AND ENERGY-RELATED ISSUES SEEM LIKELY TO OCCUPY PRIMARY ATTENTION AT THE SUMMIT. ON THE VITAL ECONOMIC ISSUES FACING THE COMMUNITY, MOST LOCAL OBSERVERS BELIEVE IT UNLIKELY THAT THE SUMMIT WILL PRODUCE SIGNIFICANT RESULTS. THERE IS SOME HOPE THAT THE NINE WILL FIND A "BRIDGE" BETWEEN FRANCE AND THE EIGHT ON EC AND BROAD INTERNATIONAL ENERGY COOPERATION. ON THE INSTITUTIONAL SIDE, THE PROPOSAL FOR MORE FREQUENT MEETINGS AT THE HEADS OF GOVERNMENT LEVEL IS LIKELY TO BE APPROVED AT THE SUMMIT, BUT LITTLE ELSE. THERE

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WILL NO DOUBT BE EXHORTATIONS ON THE NEED TO STRENGTHEN

POLITICAL AND ECONOMIC COOPERATION AMONG THE MEMBER STATES AND ON THE NEED FOR ENHANCED INSTITUTIONAL EFFECTIVENESS. THERE IS ALSO A POSSIBILITY THAT THE SUMMIT WILL PRODUCE SOME SORT OF STATEMENT WHICH WILL SATISFY THE UK'S DESIRES ON THE BUDGET ISSUE. ON PAST EXPERIENCE THERE MAY BE SOME EUPHORIA AS THE MEETING APPROACHES, BUT OUR SOURCES EXPECT "MODEST" RESULTS. THE BRANDT PROPOSAL FOR "DIFFERENTIATED" INTERGRATION HAD EVOKED NEGATIVE REACTIONS. BELGIUM HAS JUST ANNOUNCED A PROPOSAL FOR A BROAD WISE MEN'S STUDY ENDORSED BY THE SUMMIT. END SUMMARY.

2. DRAWING ON REPORTING FROM EMBASSIES AND OUR COMMUNITY SOURCES IN BRUSSELS, THE FOLLOWING IS A RUNDOWN OF ITEMS LIKELY TO COME UP FOR DISCUSSION.

3. SUBSTANTIVE ISSUES--ENERGY. THE DIFFERENCES BETWEEN THE FRENCH AND THE OTHER EIGHT ON ENERGY-RELATED QUESTIONS--THE PRODUCE-CONSUMER CONFERENCE, PETRO-DOLLAR RECYCLING, AND THE RELATIONSHIP BETWEEN THE COMMUNITY AND THE IEA--WILL BE AMONG THE MOST CRITICAL ISSUES FOR THE HEADS OF GOVERNMENT. WHILE PREDICTIONS IN THIS AREA ARE HAZARDOUS, PARTICULARLY BECAUSE THE MINISTERS HAVE NOT YET HAD A CHANCE TO DISCUSS THE KISSINGER-SIMON SPEECHES, THERE IS A BROAD DESIRE FOR A FACE-SAVING FORMULA. THIS MIGHT INVOLVE AN ARRANGEMENT WHEREBY THE FRENCH, WHILE NOT PARTICIPATING IN THE IEA, WOULD NEVERTHELESS ASSOCIATE THEMSELVES IN SOME MANNER WITH THE AGENCY'S WORK; IN RETURN, THE OTHER MEMBER STATES WOULD MAKE CLEAR THEIR WILLINGNESS TO MOVE MORE EXPEDITIOUSLY TOWARD A PRODUCER-CONSUMER CONFERENCE. COMMISSION OFFICIALS ALSO HOPE FOR COMMITMENTS REGARDING A COMMON COMMUNITY APPROACH IN INTERNATIONAL RECYCLING DISCUSSIONS.

4. REGIONAL POLICY. OPINION IS DIVIDED ON THE LIKELIHOOD OF AGREEMENT ON A REGIONAL FUND WITH VIEWS DIFFERING ON HOW MUCH FLEXIBILITY THERE MIGHT FINALLY BE IN THE GERMAN POSITION ON FINANCING. WHILE THE IRISH CONTINUE TO ASSERT THAT SUBSTANTIVE PROGRESS ON THIS QUESTION IS A PRECONDITION FOR THE SUMMIT, FEW EXPECT THAT THEY WOULD IN THE END TRY TO PREVENT THE MEETING. SIMILARLY, THE ITALIANS ARE NOT BELIEVED CAPABLE OF HOLDING OUT ON THIS ISSUE. AS HAS BEEN PREVIOUSLY REPORTED, THE BRITISH ARE TAKING A BACK SEAT ON THE REGIONAL FUND--EITHER BECAUSE THEY LIMITED OFFICIAL USE

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DOUBT THAT THE SUMMIT CAN MAKE PROGRESS ON THIS ISSUE OR FOR FEAR OF DAMAGING THEIR CASE ON THE BUDGET QUESTION. A COMMISSION SOURCE HAS SUGGESTED THAT A POSSIBLE OUTCOME WOULD BE FOR THE HEADS OF GOVERNMENT TO AGREE ON THE SIZE OF THE FUND WHILE LEAVING IT TO THEIR FOREIGN MINISTERS TO WORK OUT ITS DISTRIBUTION.

5. INFLATION AND UNEMPLOYMENT. THE FOREIGN MINISTERS ARE EXPECTED TO ADDRESS THESE ISSUES ON NOVEMBER 25. OBSERVERS

HERE DOUBT THAT ANYTHING BEYOND RATHER GENERAL EXPRESSIONS OF CONCERN AND NEED FOR A COOPERATIVE APPROACH WILL EMERGE FROM THE SUMMIT. YET, GIVEN THE IMMENSITY OF THE PROBLEMS-- AND THEIR DOMESTIC POLITICAL SIGNIFICANCE FOR THE NINE, THE SUMMIT MUST ADDRESS THEM. THE AD HOC GROUP MEETING IN BRUSSELS ALMOST COMPLETED THE DRAFT ON INFLATION IN THE EARLY HOURS OF NOVEMBER 22.

6. OTHER ECONOMIC TOPICS. THE EC FINANCE MINISTERS HAVE PREPARED THREE GENERAL TOPICS FOR CONSIDERATION AT THE SUMMIT: HARMONIZATION OF FINANCIAL POLICY, STRENGTHENING MONETARY UNION, AND ADOPTING A COMMON APPROACH ON INTERNATIONAL FINANCIAL ISSUES. BEHIND THESE GENERALITIES ARE SPECIFIC FRENCH AND GERMAN PROPOSALS WHICH MOST OFFICIALS FEEL ARE NOT SUFFICIENTLY WELL PREPARED TO ALLOW SUBSTANTIVE AGREEMENT AT THE SUMMIT IF INDEED THEY ARE CONSIDERED--WITH THE POSSIBLE EXCEPTION OF RECYCLING DUE TO ITS CLOSE RELATIONSHIP TO ENERGY POLICY.

7. INSTITUTIONAL QUESTIONS--HEADS OF GOVERNMENT COUNCIL MEETINGS. MOST OF OUR SOURCES HERE FEEL THAT ONE OF THE FEW INSTITUTIONAL PROPOSALS THAT MAY BE ACCEPTED WITH LITTLE QUALIFICATION IS THAT OF THE FRENCH FOR PERIODIC COUNCIL MEETINGS OF THE NINE HEADS OF GOVERNMENT. ALTHOUGH THE QUESTION OF FREQUENCY HAS NOT BEEN SETTLED YET, IT IS POSSIBLE THAT THESE COUNCILS WOULD MEET THREE OR FOUR TIMES PER YEAR-- PERHAPS ALTERNATING BETWEEN BRUSSELS AND THE CAPITAL OF THE PRESIDENCY. THE QUESTION OF NOMENCLATURE HAS NOT YET BEEN DECIDED , BUT THE

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FRENCH MAY GET THEIR WAY WITH THE "EUROPEAN COUNCIL" LABEL. THE COUNCILS APPARENTLY WILL OPERATE WITHIN THE CONTEXT OF THE TREATIES WHEN DEALING WITH EXPLICITLY COMMUNITY BUSINESS. THE RELATIONSHIP BETWEEN THE WORK OF HEADS OF GOVERNMENT COUNCILS, THE EXISTING COMMUNITY INSTITUTIONS AND THE PRESENT POLITICAL COOPERATION APPARATUS IS, HOWEVER, LESS CLEAR. THE LONG-DISCUSSED PROPOSAL FOR A "MINI-SECRETARIAT" APPEARS TO HAVE BEEN AT LAST LAID TO REST. THERE IS SOME LINGERING CONCERN THAT INSTITUTIONALIZATION OF HEADS OF GOVERNMENT MEETINGS WILL WEAKEN THE EXISTING COMMUNITY SYSTEM, BUT SOAMES, FOR EXAMPLE, FEELS THAT IN ONE WAY OR ANOTHER THE TOP LEVELS OF THE NINE MUST BE DIRECTLY INVOLVED IF EUROPE IS TO GET OFF DEAD CENTER.

8. MAJORITY COUNCIL VOTING. ASSUMING THAT SOME WAY CAN BE FOUND AROUND THE UK "PRESENTATIONAL" PROBLEM ON THE SOVEREIGNTY ASPECT (WHICH IS FAR FROM CERTAIN), ALL MEMBER STATES SEEM AGREED ON THE NEED TO MODIFY THE RIGID PRACTICE OF UNANIMITY AND TO MOVE TOWARD INCREASE USE OF MAJORITY VOTING ON MORE LIMITED OFFICIAL USE

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OR LESS ROUTINE COMMUNITY BUSINESS. THE PROBLEM ARISES IN HOW TO DEFINE THOSE VITAL ISSUES WHICH ALL AGREE SHOULD REQUIRE UNANIMITY; THERE IS EVEN CONCERN ON THE PART OF SOME COMMUNITY OFFICIALS THAT ANY DEFINITION OF A VITAL NATIONAL ISSUE COULD MERELY SERVE TO SANCTIFY THE RULE OF UNANIMITY ON ALL BUT THE MOST MINOR ISSUES. EVEN IF A FORMULA CAN BE AGREED, ITS PRACTICAL IMPACT IN THE SHORT TERM WOULD BE SMALL.

9. DIRECT ELECTION OF EUROPEAN PARLIAMENT. SAUVAGNARGUES HAS EXPRESSED CAUTIOUS OPTIMISM (PARIS 27636) THAT A COMPROMISE FORMULA ACCEPTABLE TO THE BRITISH FOR SETTING THE DATE FOR DIRECT ELECTIONS MIGHT BE WORKED OUT. SOME OF OUR SOURCES STILL THINK A VAGUE STATEMENT OF INTENTION MIGHT BE POSSIBLE. THE DOMINANT FEELING IN BRUSSELS, HOWEVER, IS THAT NOTHING IS LIKELY TO BE ACCOMPLISHED AT THE SUMMIT, AND PROBABLY NOT UNTIL AFTER THE WHOLE ISSUE OF BRITISH RENEGOTIATION IS SETTLED. THERE IS NOW ALSO A DANISH PROBLEM (COPENHAGEN 3297).

10. STRENGTHENED POLITICAL COOPERATION. ALL MEMBER STATES

APPEAR WILLING TO SUBSCRIBE TO RHETORIC CALLING FOR INCREASED POLITICAL COOPERATION AMONG THE NINE AND WELCOMING PROGRESS IN THIS FIELD OVER THE PAST YEAR. HOW THIS WILL BE CARRIED OUT, BEYOND MORE FREQUENT MEETINGS OF HEADS OF GOVERNMENT, HAS NOT YET BEEN SPELLED OUT, HOWEVER,

11. UK BUDGET AND "RENEGOTIATION." THE ISSUE OF THE UK'S CONTRIBUTIONS TO THE COMMUNITY BUDGET IS STILL VERY MUCH IN PLAY. FOREIGN SECRETARY CALLAGHAN HAS ALREADY TOLD THE OTHER MEMBER STATES (AT THE NOVEMBER FOREIGN MINISTERS COUNCIL) THAT HE SEEKS ONLY APPROVAL IN PRINCIPLE OF THE CONCEPT OF EQUITY BETWEEN A MEMBER STATE'S CONTRIBUTION TO THE EC BUDGET AND ITS ABILITY TO PAY. IF THE BRITISH ARE WILLING TO FOREGO MENTION OF A SPECIFIC MATHEMATIC FORMULA--AND IF THEY CONTINUE TO SAY THAT NO MODIFICATION OF THE TREATIES IS NECESSARY, IT WOULD APPEAR THAT A COMPROMISE CAN BE REACHED, ALTHOUGH THE FRENCH WILL BE TOUGH ON THIS ISSUE. SUCH A FORMULA WOULD PERMIT THE BRITISH TO CLAIM THAT THEY HAVE BEEN SUCCESSFUL IN MEETING THEIR NUMBER ONE RENEGOTIATION OBJECTIVE. "RENEGOTIATION" AS SUCH IS, OF COURSE, NOT ON THE SUMMIT AGENDA, THE VARIOUS ELEMENTS OF LIMITED OFFICIAL USE

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THE SUBJECT BEING CONSIDERED SEPARATELY AT PRESENT. SOME COMMISSION OFFICIALS HAVE ANTICIPATED AGREEMENT ON THE OUTLINES OF A "PACKAGE" (EC BRUSSELS 8451), BUT THE UK IS NOW CLEARLY CONCENTRATING ON THE BUDGET ISSUE. WE HAVE BEEN TOLD IN CONFIDENCE THAT THE UK TACTIC IS TO MAKE CLEAR WILSON'S INTENT TO RAISE THE ENTIRE RENEGOTIATION QUESTION IF THE BUDGET ISSUE IS NOT PRE-COOKED FOR THE SUMMIT.

12. THE FOREIGN MINISTERS WILL MEET AGAIN IN BRUSSELS ON NOVEMBER 25 AND DECEMBER 2-3 TO COMPLETE PREPARATIONS FOR THE SUMMIT MEETING LIKELY TO BE HELD DECEMBER 9-10. IN CONTRAST TO PREPARATIONS FOR THE PARIS AND COPENHAGEN MEETINGS, WE HAVE DETECTED NO EUPHORIA AND FEW ILLUSIONS ABOUT MAJOR BREAKTHROUGHS. INDEED, COMMUNITY OFFICIALS SPEAK OF "REALISTIC EXPECTATIONS" AND MODEST RESULTS." AS THE TIME DRAWS CLOSER, OPTIMISM MAY INCREASE. THE MOST SIGNIFICANT DEVELOPMENT OF THE PAST TEN DAYS HAS BEEN THE INCREASING EXPECTATION THAT ENERGY-RELATED ISSUES MAY DOMINATE THE SESSION. THE SPEECHES BY SECRETARIES KISSINGER AND SIMON--AND CONTINUED CONCERN ABOUT PATCHING UP THE DIFFERENCES BETWEEN FRANCE AND THE EIGHT--HAVE SUBSTANTIALLY REINFORCED THIS EXPECTATION. MEANWHILE, THE BRANDT PROPOSAL FOR DIFFERENTIATED INTEGRATION (EC BRUSSELS 9178), WIDELY INTERPRETED AS A TRIAL BALLOON, HAS DRAWN NEGATIVE REACTIONS. BELGIAN PRIME MINISTER TINDEMANS' PLAN FOR A BROAD WISE MEN'S GROUP TO BE MANDATED BY THE SUMMIT HAS JUST EMERGED (BRUSSELS 9182) AND COULD GENERATE

COMMUNITY REACTIONS NEXT WEEK.MYERSON

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